

EXHIBIT 5.8.B

ZUNI/TEP AGREEMENT

THIS AGREEMENT is entered into among Tucson Electric Power Company ("TEP"); the Zuni Indian Tribe; and the United States of America on behalf of the Zuni Indian Tribe.

WHEREAS, the Zuni Indian Tribe has asserted certain reserved water rights within the Little Colorado River Basin which it believes may be affected now or in the future by underground water use, including that by TEP in conjunction with its operation of the Springerville Generating Station ("SGS") properties in Apache County, Arizona; and,

WHEREAS, the parties to this Agreement and other water users within the Little Colorado River Basin have entered into a comprehensive agreement entitled the Zuni Indian Tribe Water Rights Settlement Agreement in the Little Colorado River Basin ("Zuni Settlement Agreement") to resolve the Zuni Indian Tribe's asserted reserved water rights; and,

WHEREAS, this Agreement sets forth the terms and conditions under which TEP can withdraw underground water and initiate new wells for use at SGS free of any objection whatsoever by the Zuni Indian Tribe or the United States on behalf of the Tribe, consistent with the terms of the Zuni Settlement Agreement.

NOW, THEREFORE, IT IS AGREED THAT:

1. Definitions. For purposes of this Agreement:

1.1 "AFA" means acre-feet per annum.

1.2 "Annual Low Flow Rate" means the lowest measured natural (*i.e.*, adjusted for diversions and releases) flow rate of the Little Colorado River ("LCR") as measured at the streamflow gaging station described in Section 6.2 calculated on the basis of the lowest 30-day rolling average flow rate during a complete calendar year and averaged for the three most recent complete calendar years.

1.3 "Base Flow Decline" means any reduction in the Baseline Flow Rate of the LCR, as measured at the streamflow gaging station described in Section 6.2, which occurs after underground water pumping at Springerville Generating Station ("SGS") exceeds 11,000 AFA. The Base Flow Decline shall be determined by comparing the Baseline Flow Rate with the Annual Low Flow Rate for each calendar year following, and including, the year in which pumping at SGS exceeds 11,000 AFA.

1.4 "Baseline Flow Rate" means the flow established by calculating the Annual Low Flow Rate for the three complete calendar years immediately following the commencement of operation of the streamflow gaging station described in Section 6.2. Should pumping at SGS exceed 11,000 AFA prior to the Enforcement Date, the Baseline Flow Rate will be established on the basis of the Annual Low Flow Rate for the three complete calendar years immediately preceding the calendar year in which pumping at SGS exceeds 11,000 AFA.

1.5 "Enforcement Date" means the date the Zuni Settlement Agreement becomes enforceable.

1.6 "Springerville Generating Station" ("SGS") means that certain contiguous set of parcels owned or held for the generation of electricity within T. 10N and 11N, R. 29E and 30E, in Apache County, Arizona, as described in that certain document recorded at Book 703, Pages 53-57 of Apache County Records, containing approximately 22.3 square miles, and any other contiguous lands subsequently acquired for the generation of electricity.

2. TEP Geographic Restrictions. TEP covenants for the purposes of this Agreement that it will not initiate new underground water production wells for use at SGS within the following described areas of Apache County, Arizona:

a. That portion of T. 11N., R. 29E., described as:
Sections 4 through 9, and Sections 16 through 21; N/2 of Section 28; NE/4, E/2 of NW/4, and NW/4 of NW/4 of Section 29; Section 30; and NW/4, W/2 of SW/4, and NE/4 of SW/4 of Section 31.

b. That portion of T. 10N., R. 29E., described as:
Sections 6 (except Lot 1), 7, 8, 17 through 20, and 29 through 32;

c. All lands lying north of the south line of T. 12N; and,

d. All lands lying west of the east line of R. 28E.

3. TEP Underground Water Use Up To 11,000 AFA. Subject to the geographic restrictions in Section 2 of this Agreement, TEP may operate, deepen, increase capacity of, and replace any SGS wells existing as of the date of this Agreement, and may drill, open, operate, and maintain any new SGS wells and use underground water in an amount up to 11,000 AFA without objection or challenge by the Zuni Indian Tribe or the United States on behalf of the Tribe in any appropriate judicial or administrative proceeding.

4. TEP Underground Water Use Between 11,000 AFA And 20,000 AFA.

4.1 Subject to the geographic restrictions in Section 2 of this Agreement, TEP may withdraw and use underground water in amounts between 11,000 AFA and 20,000

AFA from SGS wells without objection by the Zuni Indian Tribe or the United States on behalf of the Tribe, unless the Tribe or the United States proves in the court administering the Decree in the Little Colorado River Adjudication that TEP's withdrawal of underground water is causing a Base Flow Decline in the Little Colorado River.

4.2 If the Zuni Indian Tribe or the United States on behalf of the Tribe proves a Base Flow Decline caused by TEP's withdrawals of underground water at SGS, the Zuni Indian Tribe, in its sole discretion, shall be entitled to replacement of water or compensatory damages or other costs but shall not be entitled to injunctive relief. TEP shall have the right to avoid liability for payment of damages by mitigating its impacts of its withdrawals in a manner acceptable to the parties to this Agreement.

5. TEP Underground Water Use Greater Than 20,000 AFA.

5.1 Subject to the geographic restrictions in Section 2 of this Agreement, nothing in this Agreement precludes TEP from initiating new underground water withdrawals in amounts above 20,000 AFA at SGS.

5.2 If TEP withdraws more than 20,000 AFA at SGS, the Zuni Indian Tribe and the United States on behalf of the Tribe retain all rights under federal, state, and tribal law to object to TEP's withdrawal and use of underground water in excess of 20,000 AFA at SGS.

6. TEP Monitoring Program.

6.1 Underground Water. TEP shall continue to conduct a well monitoring and reporting program at SGS in the same manner (*i.e.*, providing the same type, quantity, and quality of data collected at a similar frequency) as it carried out or contributed to in calendar year 2000. The monitoring reports shall be provided to the Tribe within a reasonable time after completion. TEP shall provide all data collected for each well pumping underground water for SGS, including but not limited to monthly quantity pumped by each well, well logs, water quality data, and pump tests, to the Tribe when requested by the Tribe.

6.2 Surface Water. In addition to the monitoring program described in Section 6.1, TEP shall fund a Little Colorado River streamflow monitoring and reporting program which meets the following conditions:

a. The measurement site shall be located at the existing gaging station referred to as "Little Colorado River below Salado Springs near St. Johns, Arizona" (USGS #09385700) or at an alternative site mutually agreed upon by TEP and the Tribe.

b. The gaging station shall be designed, operated, and maintained to continuously measure and record accurate river stage at time intervals of one (1) hour or less.

c. The river stage data shall be accessible remotely through a telemetry system which can provide recorded data to the Tribe substantially within six (6) hours of measurement.

d. A rating table which correlates as accurately as reasonably possible river stage to stream discharge for the gaging station shall be developed and maintained.

e. To the extent that TEP collects or receives river data not otherwise available to the Zuni Indian Tribe, TEP shall provide monitoring reports to the Tribe within a reasonable time after completion. All data collected for the gaging station, including but not limited to raw and corrected stage data, manual discharge measurements, and maintenance records, shall be made available to the Tribe when requested by the Tribe. The Tribe or the United States on behalf of the Tribe shall have access to the gaging station for taking its own measurements.

f. TEP may contract with any agency or entity to perform the duties and obligations created within this Section.

7. Other Provisions.

7.1 TEP may freely assign or transfer all or any portion of its rights and obligations under this Agreement in connection with the assignment, transfer, or sale of all or any portion of its interest in SGS, but all such rights or obligations shall remain in force with the assignee and shall not be diminished or terminated by any such assignment.

7.2 This Agreement shall be personal between the parties, and it shall remain in force only as long as the SGS site is operated for electric generating purposes by TEP or its successors-in-interest. No real property interest is created, conveyed, or encumbered by the terms of this Agreement.

7.3 Upon request from any party, the technical representatives for each party shall meet within a reasonable time to discuss a disagreement or question arising from new data received from the monitoring program. If the technical representatives agree on a resolution, that agreement shall be submitted to the parties for consideration and implementation. In the event that the technical representatives are unable to resolve a matter, or are unable to make a unanimous recommendation to the parties, the technical representatives shall make a written report to the parties explaining the areas of agreement, if any, the subject or subjects of disagreement, and each party's argument in favor of its position along with supporting data and background. This report shall be made within thirty (30) calendar days after the technical representative meeting, unless the parties agree to a longer time period.

7.4 This Agreement shall be construed, interpreted, and enforced in accordance with the laws of the State of Arizona and applicable federal law. To the extent that any term of this Agreement is inconsistent with the Zuni Settlement

Agreement, the term of this Agreement shall prevail. This Agreement shall be enforceable in the court which administers the Decree in the Little Colorado River Adjudication.

DATED this 7th day of June, 2002.

TUCSON ELECTRIC POWER COMPANY

PA. DeLauro

Vice President
Title

ZUNI INDIAN TRIBE

Michael B. Bouley

Governor
Title

THE UNITED STATES OF AMERICA as Trustee

Julie A. Norton

Title